

Arizona Health Care Cost Containment System
Acute Care

A.R.S. § 36-2901

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	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
SPECIAL LINE ITEMS			
Traditional Medicaid Population			
Capitation	1,653,724,600	1,695,611,500	1,774,885,100 ^{1/}
Reinsurance	83,840,500	93,259,400	99,109,100
Fee-For-Service	379,808,800	436,340,400	447,375,500
Medicare Premiums	58,101,200	70,549,900	120,729,900
Breast and Cervical Cancer	645,700	732,300	1,251,800
Ticket to Work	3,801,700	5,075,900	4,765,900
Dual Eligible Part D Copay Subsidy	0	0	1,029,700
Medicare Clawback Payments	0	0	27,082,200
Ch. 373 Temporary Medical Coverage	0	0	6,500,000
Proposition 204 Services			
Proposition 204 - Capitation	987,705,500	1,005,835,600	998,767,600
Proposition 204 - Reinsurance	49,481,400	80,354,300	84,146,900
Proposition 204 - Fee-For-Service	131,426,300	139,160,100	148,204,600
Proposition 204 - Medicare Premiums	18,441,300	23,680,000	28,496,100
Proposition 204 - County Hold Harmless	4,825,600	4,825,600	4,825,600 ^{2/}
KidsCare Services			
KidsCare - Children	75,340,600	84,746,600	104,276,300
KidsCare - Parents	33,098,100	37,781,000	44,801,900
Payments to Hospitals			
Disproportionate Share Payments	116,207,300	122,191,500 ^{3/}	143,477,300 ^{4/5/}
Graduate Medical Education	21,147,500	21,820,000	34,512,800 ^{6/}
Hospital Loan Residency Program	0	0	1,000,000 ^{6/}
Critical Access Hospitals	1,700,000	1,700,000	1,700,000
Rural Hospital Reimbursement	0	12,158,100	12,158,100
PROGRAM TOTAL	3,619,296,100	3,835,822,200	4,089,096,400^{7/8/9/}
FUND SOURCES			
General Fund	739,514,800	853,210,800	975,264,900
<u>Other Appropriated Funds</u>			
Children's Health Insurance Program Fund	85,170,200	96,245,000	116,017,600
TPTF Emergency Health Services Account	28,885,600	27,922,900	29,371,200
TTHCF Medically Needy Account	80,610,900	79,128,800	83,162,500
SUBTOTAL - Other Appropriated Funds	194,666,700	203,296,700	228,551,300
SUBTOTAL - Appropriated Funds			
934,181,500	1,056,507,500	1,203,816,200	
<u>Expenditure Authority Funds</u>			
County Funds	73,189,500	62,635,700	54,433,300
Federal Title XIX Funds	2,429,819,000	2,486,119,000	2,682,671,000
Federal Title XXI Funds	77,960,500	82,174,100	0
Third Party Collections	0	194,700	194,700
Tobacco Settlement Fund	43,494,700	89,553,200	86,301,200
TPTF Proposition 204 Protection Account	60,650,900	58,638,000	61,680,000
SUBTOTAL - Expenditure Authority Funds	2,685,114,600	2,779,314,700	2,885,280,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	3,619,296,100	3,835,822,200	4,089,096,400
Other Non-Appropriated Funds	15,933,500	16,500,000	16,500,000
Federal Funds	72,346,800	80,823,600	81,839,300
TOTAL - ALL SOURCES	3,707,576,400	3,933,145,800	4,187,435,700

^{1/} Laws 2006, Chapter 261 reduces the Acute Care county contribution amount from Maricopa County by \$(7,435,400). To offset this decrease, \$7,435,400 GF was added. See narrative for more details.

^{2/} Of the \$4,825,600 appropriated for the Proposition 204 County Hold Harmless line, \$234,200 is allocated to Graham County, \$3,817,800 to Pima County, \$234,400 to Greenlee County, \$159,700 to La Paz County, \$214,800 to Santa Cruz County and \$164,700 to Yavapai County to offset a net loss in revenue due to the implementation of Proposition 204, and shall be used for indigent health care costs. (General Appropriation Act footnote)

COST CENTER DESCRIPTION — The AHCCCS Acute Care program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services. The program follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician or practitioner. This program also includes funding for the Proposition 204 AHCCCS expansion, approved by voters in November 2000 and serving adults up to 100% of the Federal Poverty Level (FPL), as well as the KidsCare Children and KidsCare Parents programs, which serve children and their parents up to 200% of FPL.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 Approved
• % of well child visits in the first 15 months of life (EPSDT)	61.2	68.1	62	72
• % of children's access to primary care provider	73.8	83	85	85
• % of women receiving annual cervical screening	51.2	53.2	53	55
• Member satisfaction as measured by percentage of enrollees that choose to change health plans	3.5	3.5	3.5	3.5

Overview

The Acute Care cost center contains funding for services provided to AHCCCS members eligible for either the Title XIX or Title XXI programs. The Title XIX program includes the Traditional Medicaid population and the Proposition 204 expansion population. The Title XXI program represents the KidsCare program. *Chart 1* shows the income levels defining eligibility in these 3 distinct populations and *Table 1* shows the forecasted populations for these groups.

The largest of the 3 populations is the Traditional Medicaid population. This population represents the AHCCCS Title XIX population prior to the passage of Proposition 204, which expanded Title XIX eligibility up to 100% of the Federal Poverty Level (FPL). The Proposition 204 program also includes the "spend-down" population, which was previously included in the state-only Medically Needy/Medically Indigent (MN/MI) program. Finally, the KidsCare program, which receives Federal Title XXI funding, provides coverage for children (and parents through FY 2007) up to 200% FPL who are not covered by the regular Title XIX program.

- 3/ Laws 2006, Chapter 316 directed AHCCCS to increase Disproportionate Share payments by \$5,337,000 GF and \$10,825,900 EA, but did not increase AHCCCS' budget for this purpose. The state match will be transferred from another line item to provide the match. See narrative for more details.
- 4/ The FY 2007 Disproportionate Share Payment of \$143,477,300 is based on the Federal FY 2007 authorized expenditure level of \$95,369,400. If the final federal expenditure authorization is an amount different from the estimate, the Governor shall direct the Arizona Health Care Cost Containment System Administration, subject to the availability of monies and subject to review of the Joint Legislative Budget Committee, to proportionately adjust authorization amounts among the identified recipients of the disproportionate share hospital payment. Before the final payment, the Governor shall provide notification to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Staff Director of the Joint Legislative Budget Committee of the adjusted federal authorized expenditure level and the proposed distribution plan for these monies. (General Appropriation Act footnote)
- 5/ The appropriation for Disproportionate Share Payments for FY 2007 made pursuant to A.R.S. § 36-2903.01P includes \$88,854,700 for qualifying county operated hospitals, \$26,147,700 for private qualifying disproportionate share hospitals and \$28,474,900 for deposit in the Arizona State Hospital Fund. (General Appropriation Act footnote)
- 6/ Laws 2006, Chapter 331 appropriated \$4,000,000 GF and \$8,000,000 EA for Graduate Medical Education residency programs. In addition, \$1,000,000 GF was appropriated for the Hospital Loan Residency Program. See narrative for more details.
- 7/ Before making fee-for-service program or rate changes that pertain to hospital, nursing facility or home and community based services rates or for any of the other fee-for-service rate categories that have increases that, in the aggregate, are 2% above and \$1,500,000 from the state General Fund greater than budgeted medical inflation in FY 2007, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)
- 8/ The Arizona Health Care Cost Containment System shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 3%. Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan to the Joint Legislative Budget Committee for review. Unless required for compliance with federal law, before the administration implements any changes in policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services, the administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the administration shall submit the policy changes to the Joint Legislative Budget Committee for review. The administration shall also report quarterly to the Joint Legislative Budget Committee itemizing all policy changes with fiscal impacts of less than \$500,000 in state costs. If statutory language is enacted to prohibit these policy changes, the portion of the footnote regarding Joint Legislative Budget Committee review of policy changes shall not apply. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated by Special Line Items by Program.

Chart 1

AHCCCS Eligibility

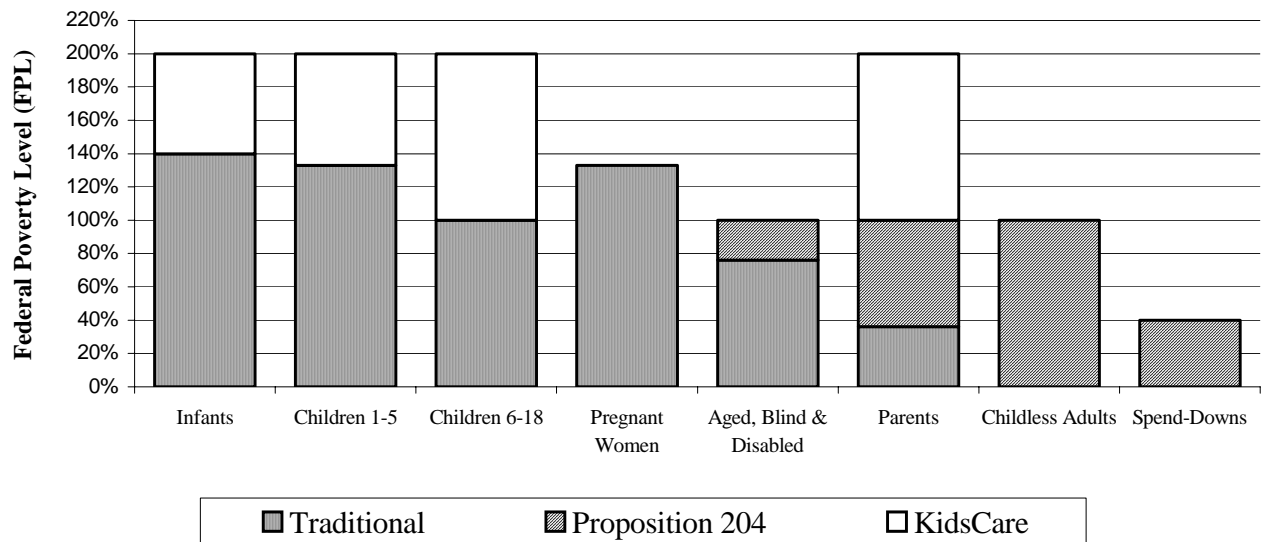


Table 1

JLBC Forecasted Member Months

<u>Population</u>	<u>June 2006</u>	<u>June 2007</u>	<u>% Change</u>
<u>Title XIX:</u>			
Traditional Medicaid	606,004	619,743	2.3%
Proposition 204	192,452	196,734	2.2%
Fee-For-Service/Other	<u>148,083</u>	<u>162,891</u>	<u>10.0%</u>
Subtotal – Title XIX	946,539	979,368	3.5%
<u>Title XXI:</u>			
KidsCare - Children	55,642	58,424	5.0%
KidsCare – Parents	<u>14,104</u>	<u>15,938</u>	<u>13.0%</u>
Total Acute Care	1,016,285	1,053,730	3.7%
Long-Term Care	<u>25,894</u>	<u>26,455</u>	<u>2.2%</u>
Total AHCCCS	1,042,179	1,080,185	3.6%

The above figures represent point-in-time estimates, while figures in Tables 2 and 3 display estimated averages for FY 2007. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations. Further discussion of the Long-Term Care population can be found in the ALTCS section.

The following issues are reflected in several different line items:

Title XIX Caseload and Capitation Rate Growth

The budget provides caseload and capitation rate growth for the Traditional Medicaid and Proposition 204 populations in the Acute Care cost center. AHCCCS Title XIX enrollment growth for these 2 populations is projected to grow by 2.25% from June 2006 to June 2007. This growth estimate reflects a consensus of 3 different enrollment forecasts from the JLBC Staff, AHCCCS, and an econometric model developed by the Economic and

Business Research Program at the University of Arizona. This latter model uses economic variables such as population growth and various employment measures in estimating AHCCCS caseload growth.

In comparison to caseload growth rates which vary by population, capitation rate inflation is assumed to be 6.5% across all capitated programs. Yearly capitation rate increases have averaged 7.0% over the last 5 years, with the lowest increase of 4.2% coming in FY 2003 and the high of 11.8% coming in FY 2004. Preliminary actuarial estimates from AHCCCS estimate that capitation rates will grow between 6%-7%.

In total, the approved amount includes \$268,803,500 in new Title XIX funding for caseload and capitation rate growth. Of this amount, \$93,356,200 is from the General Fund and \$175,447,300 is in Federal Expenditure Authority.

Revised Tobacco Tax Revenue

The budget provides \$174,213,700 from various accounts of the Tobacco Products Tax Fund and the Tobacco Tax and Health Care Fund for AHCCCS program costs in FY 2007. This amount includes an increase of \$8,524,000, or 5.1%, over FY 2006, and includes funding from the following accounts:

- Medically Needy Account - This appropriated account receives statutorily defined percentages of the revenue from the Tobacco Tax and Health Care Fund and the Tobacco Products Tax Fund (established by Proposition 303).
- Emergency Health Services Account - This account receives a statutorily defined percentage of the revenue from the Tobacco Products Tax Fund. This

account is subject to legislative appropriation for, among other purposes, the costs of primary care.

- Proposition 204 Protection Account - This non-appropriated account receives a statutorily defined percentage of the revenue from the Tobacco Products Tax Fund. Proposition 303 requires that monies from this account be used for state match funding in the Proposition 204 program.

Decreased Tobacco Settlement Revenue

The budget provides \$86,301,200 from the Tobacco Settlement Fund for state match expenditures in the Proposition 204 program in FY 2007. This includes a decrease of \$(3,252,000) from the FY 2006 appropriation. The Master Settlement Agreement (MSA) is the settlement agreement entered into in 1998 by the several cigarette manufacturers and the states, territories, and the District of Columbia that brought suit. In exchange for settlement payments, the suing parties agreed to drop other state lawsuits against the tobacco companies for health care costs. The forecast for Tobacco Settlement monies received in FY 2007 is based on the amount received in FY 2006. As required by the ballot initiative, these funds are then directed to Proposition 204 expenditures.

The Participating Manufacturers are attempting to withhold a portion of their payment, claiming that the MSA has resulted in a loss of market share to non-participants. Under the guidelines of the MSA, the Participating Manufacturers can attempt to withhold an amount equal to 3 times the cost of the loss of market share if Arizona has not “diligently enforced” the model statutes of the MSA. These statutes require non-participating manufacturers to make deposits into an escrow account proportional to the number of cigarettes sold in Arizona that year.

The amount collected from the Participating Manufacturers in FY 2006 was \$86,301,200. This amount is \$(3,252,000) less than the amount appropriated in FY 2006. It is expected that if the tobacco companies again withhold payments in FY 2007, the amount paid to the state in FY 2007 would be at least equal to the amount paid to the state in FY 2006. The claims by the Participating Manufacturers are expected to continue for the duration of the MSA payments, scheduled to sunset in 2025.

County Contributions

Total county contributions for AHCCCS Acute Care have declined by \$(8,202,400) in FY 2007, requiring a matching General Fund increase. County contributions are received in AHCCCS Acute Care under 2 programs: Acute Care County Contributions, and Uncompensated Care (DUC). (See *County Contributions under Additional Legislation for more information.*)

Regular Federal Match Rate Change

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Title XIX Medicaid program. This

rate is set on a state by state basis, and is revised each year. In FY 2007, the FMAP for Arizona is decreasing by (0.51)%, effective October 1, 2006. This decrease will result in General Fund cost increases in federally matched programs (including KidsCare) of approximately \$13 million which are included in the growth numbers presented below.

Medicare Prescription Drug Program

The Medicare Modernization Act (MMA) was implemented on January 1, 2006. This federal legislation provides prescription drug benefits to the Medicare program. Previously, citizens who qualified for both Medicare and Medicaid had their prescription drugs paid through the state Medicaid program. This program is designed to alleviate the cost of prescription drugs to this “dual-eligible” population.

To assist the federal government in paying for this program, the states are required to pay a “Clawback” of the savings that they will realize through this new drug benefit. State usage data was collected from 2003 and was trended forward using national trends for prescription drug use to 2006. The Centers for Medicare and Medicaid Services (CMS) provides the states with a formula to calculate what the Clawback payment will be.

The Clawback is calculated to be 90% of the total savings estimated by implementation of the MMA; the states will keep 10%. This Clawback percentage to the federal government will decrease over time until 2015, when the states will keep 25% of the savings. The overall Clawback payment will increase over time. The budget provides \$27,082,200 for Clawback payments in Acute Care in FY 2007 for the Acute Care program. The budget provides \$(37,305,100) in GF savings in Acute Care in FY 2007. (See *AHCCCS Summary for more information.*)

Special Line Items

Traditional Medicaid Population

The following Traditional Medicaid line items fund these populations (see *Chart 1*):

- Children less than 1, up to 140% of the Federal Poverty Level (FPL)
- Pregnant women and children aged 1-5, up to 133% FPL
- Children aged 6-18, up to 100% FPL
- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 38% FPL

These line items exclude the Proposition 204 and KidsCare populations.

Capitation

The budget provides \$1,774,885,100 for Capitation expenditures in FY 2007 for the Traditional population. This amount consists of:

	FY 2007
General Fund	\$479,102,200
County Funds	54,433,300
TTHCF Medically Needy Account	58,840,800
Third Party Collections	194,700
Federal Title XIX Expenditure Authority	1,182,314,100

These amounts include the following adjustments:

Caseload and Capitation Rate Growth

The budget provides an increase of \$139,456,400 in FY 2007 for caseload and capitation rate growth in the Traditional Title XIX population. This amount consists of:

General Fund	54,788,100
Federal Title XIX Expenditure Authority	84,668,300

The budget provides capitation enrollment growth of 2.3% from June 2006 to June 2007. This will result in approximately 613,407 member years being served in FY 2007. Additionally the approved amount assumes capitation rate increases of 6.5% above FY 2006.

The Capitation line includes monthly payments made to AHCCCS health plans for the cost of care provided to enrolled members. Contracts are awarded to health plans for a multi-year period upon the completion of a competitive bidding process in which the health plans respond to a Request for Proposals from AHCCCS. Health plans bid by AHCCCS rate code, meaning that different rates are paid for different groups. *Table 2* details the budgeted capitation rates and enrollment by AHCCCS rate code for FY 2007.

In general, capitation rates are based on an actuarial assessment, by each of the AHCCCS rate codes, of the medical services utilization and costs incurred per AHCCCS member per month.

Table 2		
Traditional Medicaid		
Federally-Eligible Rate Codes	FY 2007 Member Years ^{1/}	FY 2007 Capitation Rates ^{2/}
TANF < 1	50,660	448.85
TANF 1-13	296,276	109.87
TANF 14-44 Female	110,332	194.77
TANF 14-44 Male	45,727	133.45
TANF 45+	9,735	377.53
SSI w/ Medicare	40,365	194.73
SSI w/o Medicare	51,766	605.80
Family Planning	8,546	17.15
Total	613,407	
Deliveries ^{3/}	30,042	6,353.72

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2007, the rates reflect 1 quarter at the CY 2006 level and 3 quarters at the CY 2007 level.

^{3/} This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

Prescription Drug Savings

The budget provides a decrease of \$(60,182,800) in FY 2007 for savings from the federal prescription drug program. This amount consists of:

General Fund	(20,104,400)
Federal Title XIX Expenditure Authority	(40,078,400)

Effective January 1, 2006, the federal government is paying prescription drug costs for Medicare clients. The state previously had to pay for the Medicaid prescription drug costs for these dually-eligible clients with a state/federal match. *(Please see the Medicare Prescription Drug Program section for more information.)*

Revised Tobacco Tax Revenue

The budget provides a decrease of \$(4,033,700) from the General Fund and a corresponding increase in tobacco tax expenditures in FY 2007 for increased funding available from the Medically Needy Account. *(See Revised Tobacco Tax Revenue policy issue for more information.)* This amount consists of:

General Fund	(4,033,700)
Medically Needy Account	4,033,700

Maricopa County Acute Care Contribution

The budget provides an increase of \$767,000 in FY 2007 from the General Fund and a corresponding decrease in County Funds for a decrease in County Acute Care contributions from Maricopa County. *(See County Contribution section at end of narrative for more information.)* This amount consists of:

General Fund	767,000
County Contributions	(767,000)

Laws 2005, Chapter 328 included a GDP price deflator adjustment for Maricopa County. The price deflator was set at 2.4%. This decreases the county contribution for Maricopa County by \$(767,000). This adjustment was part of the state's contribution to Maricopa County costs in exchange for the county taking responsibility for the adult probation program. The reduction in county contribution is offset by an increase in the General Fund equal to the amount of the contribution reduction.

Ch. 261 Adult Probation; County Responsibility

Laws 2006, Chapter 261 provides an increase of \$7,435,400 in FY 2007 from the General Fund and a corresponding decrease in County Funds for a decrease in County Acute Care contributions from Maricopa County. *(See County Contribution section at end of narrative for more information.)* This amount consists of:

General Fund	7,435,400
County Contributions	(7,435,400)

To offset this cost, Laws 2006, Chapter 261 provides a decrease of \$(7,435,400) from the General Fund for Juvenile Standard and Intensive Probation programs in Maricopa

County in FY 2007. As part of the FY 2007 budget, Maricopa County agreed to assume responsibility for juvenile probation costs in FY 2007 in exchange for a dollar-for-dollar reduction of contributions to the Arizona Health Care Cost Containment System. The state has reduced Maricopa County contributions by \$(7,435,400), shifting the costs of those reductions onto the General Fund. *(See Juvenile Probation Programs for more information.)*

Reinsurance

The budget provides \$99,109,100 for Reinsurance expenditures in FY 2007 for the Traditional population. This amount consists of:

General Fund	33,104,900
Federal Title XIX Expenditure Authority	66,004,200

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$5,849,700 in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	2,419,200
Federal Title XIX Expenditure Authority	3,430,500

This recommended amount assumes an increase of 6.3% in total spending in FY 2007 over FY 2006. The Reinsurance line item is for payments made to health plans for catastrophic cases in the Traditional Medicaid population.

Fee-For-Service

The budget provides \$447,375,500 for Fee-For-Service expenditures in FY 2007 for the Traditional population. This amount consists of:

General Fund	89,788,300
Federal Title XIX Expenditure Authority	357,587,200

These amounts include the following adjustments:

Caseload and Capitation Rate Growth

The budget provides an increase of \$17,654,400 in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	2,023,900
Federal Title XIX Expenditure Authority	15,630,500

This additional funding would provide for a 4.0% increase in the Fee-For-Service program above the FY 2006 appropriation, which includes enrollment growth and medical inflation.

The Fee-For-Service line item is for payments made by AHCCCS directly to health care providers on behalf of members not covered under the capitated portion of the AHCCCS program. There are 3 primary components of the Fee-For-Service program: 1) temporary Fee-For-Service

coverage for those who later enroll in a capitated plan; 2) federally-mandated services for Native Americans living on-reservation; and, 3) federally-mandated emergency services for unauthorized immigrants. The federal government shares in the cost of care for categorically linked unauthorized immigrants. "Categorically Linked" individuals are those who would be eligible for the Traditional Medicaid program (as opposed to Proposition 204 or KidsCare) if not for their citizenship status.

Prescription Drug Savings

The budget reflects a decrease of \$(6,619,300) in FY 2007 for savings from the federal prescription drug program. This amount consists of:

General Fund	(2,211,100)
Federal Title XIX Expenditure Authority	(4,408,200)

Effective January 1, 2006, the federal government is paying prescription drug costs for Medicare clients. The state previously had to pay for the Medicaid prescription drug costs for these dually-eligible clients with a state/federal match. *(Please see the Medicare Prescription Drug Program section for more information.)*

Medicare Premiums

The budget provides \$120,729,900 in FY 2007 for Medicare Premiums expenditures for the Traditional Medicaid population. This amount consists of:

General Fund	34,794,800
Federal Title XIX Expenditure Authority	85,935,100

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$50,180,000 in FY 2007 for caseload growth and inflation. This amount consists of:

General Fund	14,282,100
Federal Title XIX Expenditure Authority	35,897,900

This amount provides a 71.1% increase in the Medicare Premiums program above the FY 2006 appropriation. This increase is caused by premium increases, enrollment growth, and a policy change by CMS that requires AHCCCS to pay unlimited amounts of retroactive premiums for certain members.

This line item provides funding for the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Part A (hospital insurance) coverage. Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, the line item includes the costs of payment of Part A premium costs for certain disabled workers. The line item also includes funding for low-income Qualified Medicare Beneficiaries.

Finally, the line item includes funding for the 100% federally funded Medicare Part B buy-in program.

Breast and Cervical Cancer

The budget provides \$1,251,800 for Breast and Cervical Cancer in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	292,700
Federal Title XIX Expenditure Authority	959,100

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$519,500 in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	125,500
Federal Title XIX Expenditure Authority	394,000

The appropriated amount provides a 70.9% increase in the Breast and Cervical Cancer program above the FY 2006 appropriation. This population continues to grow quickly which has resulted in a large increase for FY 2007.

The Breast and Cervical Cancer program provides treatment to women who have been diagnosed with breast and/or cervical cancer through the Well-Woman Healthcheck Program administered by the Department of Health Services (DHS). This program serves women with incomes between 100-250% FPL. As of April 2006, approximately 115 people are enrolled in the program.

Ticket to Work

The budget provides \$4,765,900 for Ticket to Work in FY 2007. This amount consists of:

General Fund	1,591,800
Federal Title XIX Expenditure Authority	3,174,100

These amounts include the following adjustments:

Caseload and Capitation Rate Growth

The budget provides an increase of \$1,343,300 in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	473,500
Federal Title XIX Expenditure Authority	869,800

The appropriated amount provides an increase of 24.4% in the Ticket to Work program in FY 2007 over FY 2006.

The Ticket to Work program is designed to improve access to employment training and placement for individuals with disabilities who want to work. This program allows individuals receiving Supplemental Security Income (SSI) to work without losing their AHCCCS health coverage. This program serves individuals who meet SSI eligibility

criteria, who are aged 16-64, and who have earned income below 250% FPL. As of April 2006, approximately 973 people are enrolled in the program.

Prescription Drug Savings

The budget reflects a decrease of \$(1,653,300) in FY 2007 for savings from the federal prescription drug program. This amount consists of:

General Fund	(552,400)
Federal Title XIX Expenditure Authority	(1,100,900)

Effective January 1, 2006, the federal government is paying prescription drug costs for Medicare clients. The state previously had to pay for the Medicaid prescription drug costs for these dually-eligible clients with a state/federal match. (*Please see the Medicare Prescription Drug Program section for more information.*)

Dual Eligible Part D Copay Subsidy

The budget provides \$1,029,700 from the General Fund for a new line item, Dual Eligible Part D Copay Subsidy, in FY 2007.

The line item will be used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006, these individuals did not pay for their prescriptions. As part of the benefit, however, recipients make copayments for prescription drugs ranging from \$1 to \$5, depending on the class of the drug as well as the recipient's income. This line item will cover the costs of those copayments.

Medicare Clawback Payments

The budget provides \$27,082,200 from the General Fund for a new Medicare Clawback Payments line item in FY 2007. As part of the Medicare Modernization Act (MMA) effective January 1, 2006, AHCCCS will no longer be required to pay for prescriptions drug costs for members that are also eligible for Medicare. Instead, AHCCCS will be required to make "Clawback" payments to Medicare based on the estimated prescription drug cost of this population. This amount reflects estimated FY 2007 costs for AHCCCS' Acute Care population. (*Please see the AHCCCS Summary section for more information on the Clawback and other provisions of the MMA.*)

Ch. 373 Temporary Medical Coverage

Laws 2006, Chapter 373 appropriates \$6,500,000 from the General Fund in FY 2007 to provide temporary medical coverage for persons who have previously been enrolled in AHCCCS who are now receiving federal disability insurance (SSDI) benefits and are not yet eligible for Medicare benefits. SSDI benefits would normally raise an individual's income above eligibility limits for AHCCCS. This program allows a person to continue to receive health benefits until those benefits are provided through

Medicare. Persons receiving SSDI benefits are eligible for Medicare benefits after a period of 24 months. This program will go into effect October 1, 2006.

Proposition 204 Services

Proposition 204 expanded the regular AHCCCS program to 100% FPL. The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Services provided to this population mirror the services provided in the regular AHCCCS program.

Proposition 204 - Capitation

The budget provides \$998,767,600 for Capitation expenditures in FY 2007 for the Proposition 204 population. This amount consists of:

General Fund	131,940,600
Tobacco Settlement Fund	86,301,200
TPTF Proposition 204 Protection Acct.	61,680,000
TTHCF Medically Needy Acct.	24,321,700
Emergency Health Services Acct.	29,371,200
Federal Title XIX Expenditure Authority	665,152,900

These amounts include the following adjustments:

Caseload and Capitation Rate Growth

The budget provides an increase of \$34,085,800 in FY 2007 for caseload and capitation rate growth in the Proposition 204 population. This amount consists of:

General Fund	16,363,100
Federal Title XIX Expenditure Authority	17,722,700

The budget provides Proposition 204 capitation enrollment growth of 2.2%, from June 2006 to June 2007. This will result in approximately 194,758 member years being served in FY 2007. Additionally, the approved amount assumes capitation rate increases of 6.5% above FY 2006.

Table 3 details the budgeted capitation rates and enrollment, by AHCCCS rate code, for the Proposition 204 program in FY 2007.

Decreased Tobacco Settlement Revenue

The budget provides an increase of \$3,252,000 in FY 2007 from the General Fund and a corresponding reduction in Tobacco Settlement monies for decreased Tobacco Settlement revenue. (*See Decreased Tobacco Settlement Revenue policy issue for more information.*) This amount consists of:

General Fund	3,252,000
Tobacco Settlement Fund	(3,252,000)

Loss of Enhanced Federal Match

The budget provides an increase of \$8,481,000 in FY 2007 from the General Fund and a corresponding reduction in Federal Expenditure Authority for the loss of temporary

Table 3

Proposition 204

<u>Federally-Eligible Rate Codes</u>	<u>FY 2007 Member Years ^{1/}</u>	<u>FY 2007 Capitation Rates ^{2/}</u>
TANF	64,062	201.88
SSI	22,403	221.49
Prop 204 Conversions ^{3/}	69,836	446.42
Prop 204 Medically Eligible ^{4/}	4,901	867.47
Prop 204 Newly Eligible ^{5/}	<u>33,556</u>	446.42
Total	194,758	
Hospital "Kick" ^{6/}	6,656	10,675.47
Deliveries ^{7/}	1,426	6,353.72

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2007, the rates reflect 1 quarter at the CY 2006 level and 3 quarters at the CY 2007 level. These rates represent the average rates for the population listed.

^{3/} Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 – 40% FPL.

^{4/} Represents the population formerly known as the Medically Needy portion of the old MN/MI program, also referred to as the "spend-down" population. These enrollees are from 0 – 40% FPL.

^{5/} Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.

^{6/} This is the projection of actual hospital "kick" payments on behalf of Proposition 204 enrollees in AHCCCS health plans. These "kick" payments are made to hospitals for each Medically Eligible new member enrolled at a hospital.

^{7/} This is the projection of actual birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

Title XXI matching monies for a portion of the Proposition 204 population. The Expenditure Authority amount includes a decrease of \$(82,174,100) in Title XXI Federal Expenditure Authority and an increase of \$73,693,100 in Title XIX Federal Expenditure Authority. This amount consists of:

General Fund	8,481,000
Federal Title XXI Expenditure Authority	(82,174,100)
Federal Title XIX Expenditure Authority	73,693,100

Through a waiver issued by CMS, AHCCCS has previously been able to use excess Title XXI KidsCare monies in the Proposition 204 program. Under Title XXI, in FFY 2007 the state receives an enhanced match of 76.53% compared to 66.47% in Title XIX. The federal Deficit Reduction Act no longer permits Title XXI monies to be used to provide services for non-categorical populations. This population will continue to be served; however, the state must use Title XIX monies which receive a lower federal match.

The savings from using Title XXI monies for a portion of the Proposition 204 population have historically been used to offset the cost of the state match for the KidsCare Parents program.

Prescription Drug Savings

The budget reflects a decrease of \$(41,153,800) in FY 2007 for savings from the federal prescription drug program. This amount consists of:

General Fund	(13,748,700)
Federal Title XIX Expenditure Authority	(27,405,100)

Effective January 1, 2006, the federal government is paying prescription drug costs for Medicare clients. The state previously had to pay for the Medicaid prescription drug costs for these dually-eligible clients with a state/federal match. *(Please see the Medicare Prescription Drug Program section for more information.)*

Revised Tobacco Tax Revenue

The budget reflects a decrease of \$(4,490,300) from the General Fund and increases of \$1,448,300 from the appropriated Emergency Health Services Account and \$3,042,000 in Proposition 204 Protection Account Expenditure Authority due to revised Tobacco Tax revenue estimates. *(See Revised Tobacco Tax Revenue policy issue for more information.)* This amount consists of:

General Fund	(4,490,300)
Emergency Health Services Account	1,448,300
Proposition 204 Protection Account	3,042,000

Proposition 204 – Reinsurance

The budget provides \$84,146,900 for the Proposition 204 - Reinsurance line item in FY 2007. This amount consists of:

General Fund	28,107,200
Federal Title XIX Expenditure Authority	56,039,700

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$3,792,600 in FY 2007 for caseload and inflation growth. This amount consists of:

General Fund	1,908,900
Federal Title XIX Expenditure Authority	1,883,700

The budgeted amount provides for an increase of 4.7% in the Proposition 204 Reinsurance program. Monies for these reinsurance payments are made to health plans for catastrophic cases in the Proposition 204 population.

Proposition 204 - Fee-For-Service

The budget provides \$148,204,600 for Fee-For-Service expenditures in FY 2007 for the Proposition 204 population. This amount consists of:

General Fund	29,234,400
Federal Title XIX Expenditure Authority	118,970,200

These amounts include the following adjustments:

Caseload and Capitation Rate Growth

The budget provides an increase of \$11,105,700 in FY 2007 for caseload and inflation increases. This amount consists of:

General Fund	(842,300)
Federal Title XIX Expenditure Authority	11,948,000

This funding provides a 6.5% increase in Fee-For-Service expenditures for the Proposition 204 program above the FY 2006 appropriation, which includes enrollment growth and medical inflation.

Prescription Drug Savings

The budget reflects a decrease of \$(2,061,200) in FY 2007 for savings from the federal prescription drug program. This amount consists of:

General Fund	(688,500)
Federal Title XIX Expenditure Authority	(1,372,700)

Effective January 1, 2006, the federal government is paying prescription drug costs for Medicare clients. The state previously had to pay for the Medicaid prescription drug costs for these dually-eligible clients with a state/federal match. *(Please see the Medicare Prescription Drug Program section for more information.)*

Proposition 204 - Medicare Premiums

The budget provides \$28,496,100 for Medicare Premiums expenditures in FY 2007 for the Proposition 204 population. This amount consists of:

General Fund	9,522,000
Federal Title XIX Expenditure Authority	18,974,100

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$4,816,100 in FY 2007 for caseload growth and inflation. This amount consists of:

General Fund	1,814,200
Federal Title XIX Expenditure Authority	3,001,900

These amounts provide a 20.3% increase above the FY 2006 appropriation. This increase is caused by premium increases, enrollment growth, and a policy change by CMS that requires AHCCCS to pay unlimited amounts of retroactive premiums for certain members.

Proposition 204 - County Hold Harmless

The budget provides \$4,825,600 from the General Fund for Proposition 204 County Hold Harmless payments in FY 2007. This amount is unchanged from FY 2006.

As a result of the implementation of Proposition 204, some counties experienced revenue losses. This appropriation continues prior year appropriations to hold these counties harmless. The primary recipient of the appropriation is

Pima County, who receives \$3,817,800. The remaining \$1,007,800 is allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai Counties.

KidsCare Services

The KidsCare Program, also referred to as the Children's Health Insurance Program (CHIP), provides health coverage to children in families with incomes below 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare Program receives federal Title XXI monies at approximately a 3 to 1 match rate, which is higher than the regular Title XIX portion of AHCCCS. Beginning in October 2002, this program was also expanded to cover parents of children enrolled in KidsCare. The Federal Title XXI monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund the KidsCare Program. *(Additional funding is also provided for the administration of the KidsCare Program in the AHCCCS Administration section.)*

KidsCare - Children

The budget provides \$104,276,300 for KidsCare children's services in FY 2007. This amount consists of:

General Fund	23,182,800
CHIP Fund	81,093,500

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$19,529,700 in FY 2007 for caseload and inflation growth in the KidsCare – Children population. This amount consists of:

General Fund	4,935,900
CHIP Fund	14,593,800

The appropriated amount provides enrollment growth of approximately 2,782 members, or 5.0%, from June 2006 to June 2007. Total enrollment in June 2007 is expected to reach approximately 58,400. Additionally, the budgeted amount provides capitation rate increases of 6.5% above the FY 2006.

KidsCare – Parents

The budget provides \$44,801,900 for KidsCare parents' services in FY 2007. This amount consists of:

General Fund	9,877,800
CHIP Fund	34,924,100

These amounts include the following adjustment:

Caseload and Capitation Rate Growth

The budget provides an increase of \$7,020,900 in FY 2007 for caseload and inflation growth in the KidsCare – Parents population. This amount consists of:

General Fund	1,842,100
CHIP Fund	5,178,800

The appropriated amount provides enrollment growth of approximately 1,800 members, or 13.0%, from June 2006 to June 2007. Total enrollment in June 2007 is expected to reach approximately 15,900. Additionally, the budgeted amount provides capitation rate increases of 6.5% above the FY 2006.

The Health and Welfare BRB (Laws 2006, Chapter 331) eliminates the statutory authority for the coverage of this population effective July 1, 2007. Previously, the authority expired on July 1, 2006.

Since FY 2003, the KidsCare Parents program has provided AHCCCS coverage to parents of children in the KidsCare program, whose incomes are between 100%-200% FPL.

Previously, the state was allowed to use excess Title XXI monies for a portion of the Proposition 204 population. The state receives a higher match on Title XXI monies than Title XIX monies. The savings have historically been used to offset the cost of the state match for the KidsCare Parents program. The federal Deficit Reduction Act has now prohibited the state from using Title XXI monies for a portion of the Proposition 204 population.

The Health and Welfare BRB requires that KidsCare Parents make monthly premium payments. The premiums consist of 3 tiers which are based on the income level of those families. These premiums will apply to the entire household, regardless of the number of parents or children participating.

- For households with incomes 100%-149% of the federal poverty limit guidelines (FPL), the premium is equal to 3% of the household's net income.
- For households with incomes 150%-174% of FPL, the premium is equal to 4% of the household's net income.
- For households with incomes 175%-200% of FPL, the premium is equal to 5% of the household's net income.

The Health and Welfare BRB provides AHCCCS administration rulemaking authority in order to implement these cost sharing measures.

Payments to Hospitals

These line items represent payments made directly to hospitals separate from the traditional capitated or fee-for-service system.

Disproportionate Share Payments

The budget provides \$143,477,300 for Disproportionate Share Hospital (DSH) Payments in FY 2007. This amount consists of:

General Fund	48,107,900
Federal Title XIX Expenditure Authority	95,369,400

These amounts include the following adjustment:

Revised Expenditure Limit

The budget provides an increase of \$21,285,800 in FY 2007 for a revised expenditure limit. This amount consists of:

General Fund	7,760,300
Federal Title XIX Expenditure Authority	13,525,500

These changes reflect higher Federal DSH dollars available in FY 2007. This additional General Fund appropriation will increase General Fund revenue by \$21,285,800 above FY 2006, for a net gain of \$13,525,500. This increase does not include changes made to the Disproportionate Share Payments line in the FY 2006 Supplemental Bill. *(Please see FY 2006 Supplemental policy issue under the Additional Legislation section for more information.)*

This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. The federal basis for payments is either a reflection of a hospital's number of Title XIX inpatient days, or a "low income" utilization rate. States may also establish optional payment categories. Arizona has established optional groups, or "pools," that include county, state, and private hospitals. *Table 4* presents the allocation of Disproportionate Share funding.

Of the total County-Operated Hospital allocation, \$4,202,300 is provided directly to Maricopa County for uncompensated care. The remainder of the allocation is recouped by the state through county Transaction Privilege Tax revenue to reimburse the state for indigent health care costs.

The total Private Hospital allocation consists of 2 pools. The first allocates \$15,150,000 based on private hospitals' level of care provided to Medicaid clients and/or the level of low-income clients served. The second pool allocates \$10,997,700 among private hospitals as compensation for uncompensated care.

The allocation to the Arizona State Hospital (ASH) will also generate General Fund revenue in FY 2007. An amount corresponding to the DSH allocation will be deposited into the General Fund.

Table 4		
Disproportionate Share Hospitals		
	<u>FY 2006</u>	<u>FY 2007</u>
<u>Allocations:</u>		
County-Operated Hospitals (COH)	\$ 63,366,600	\$ 84,652,400
Supplemental COH payment	4,202,300	4,202,300
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	<u>26,147,700</u>	<u>26,147,700</u>
Total - Allocations	\$122,191,500	\$143,477,300
<u>Revenue:</u>		
County Withholding	\$63,366,600	\$ 84,652,400
ASH reversion	<u>28,474,900</u>	<u>28,474,900</u>
Total - GF Revenue	\$91,841,500	\$113,127,300

Graduate Medical Education

The budget provides \$38,512,800 for Graduate Medical Education (GME) expenditures in FY 2007. This amount consists of:

General Fund	11,519,800
Federal Title XIX Expenditure Authority	26,993,000

These amounts include the following adjustments:

Statutory Inflation Adjustment

The budget provides an increase of \$692,800 in FY 2007 for a statutory inflation adjustment. This amount consists of:

General Fund	340,500
Federal Title XIX Expenditure Authority	352,300

The appropriated amount reflects a 3.18% increase above the FY 2006 appropriation, based on the Centers for Medicare and Medicaid Services (CMS) Hospital Prospective Reimbursement Market Basket, as reported by AHCCCS. The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students.

Recruiting Arizona Physicians

The Health and Welfare BRB appropriates \$12,000,000 in FY 2007 for the purpose of recruiting Arizona physicians. This amount consists of:

General Fund	4,000,000
Federal Title XIX Expenditure Authority	8,000,000

These monies are distributed to hospitals to support the expansion of GME programs. Priority is given to hospitals with GME programs established before July 1, 2006 that do not currently receive GME funding for those programs. The second priority for these monies is for expansion of GME programs established before October 1, 1999. The third priority is for GME programs established after July 1, 2006.

Hospital Loan Residency Program

The Health and Welfare BRB appropriates \$1,000,000 from the General Fund for a new line item, Hospital Loan Residency Program, in FY 2007.

This program is designed to fund start-up and ongoing costs for residency programs in accredited hospitals. Interest-free loans may be issued up to \$500,000 per year for one hospital per county if the hospital establishes a new residency program of at least 6 residents or adds a new specialty area to an existing residency program with at least 4 new residents. Priority for loans will be for hospitals located in rural counties.

Medicare funded residency programs are capped. Without an exception issued by CMS, hospitals are not able to

increase the number of medical residents and have those residencies funded through Medicare. Therefore, funding to increase residencies must come from sources other than Medicare.

Critical Access Hospitals

The budget provides \$1,700,000 for Critical Access Hospitals in FY 2007. This amount consists of:

General Fund	567,800
Federal Title XIX Expenditure Authority	1,132,200

These amounts include the following adjustment:

Decreased FMAP

The budget provides an increase of \$8,500 from the General Fund in FY 2007 and a corresponding decrease of \$(8,500) in Federal Expenditure Authority Funds to reflect a technical adjustment in the FMAP. *(See Regular Federal Match Rate Change policy issue for more information.)*

The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals.

Rural Hospital Reimbursement

The budget provides \$12,158,100 for Rural Hospital Reimbursement payments in FY 2007. This amount consists of:

General Fund	4,092,400
Federal Title XIX Expenditure Authority	8,065,700

These amounts include the following adjustment:

Decreased FMAP

The budget provides an increase of \$92,400 from the General Fund in FY 2007 and a corresponding decrease of \$(92,400) in Federal Expenditure Authority Funds to reflect a technical adjustment in the FMAP. *(See Regular Federal Match Rate Change policy issue for more information.)*

The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals.

Additional Legislation

FY 2006 Supplemental

The FY 2006 Supplemental Bill (Laws 2006, Chapter 316) allocates \$16,162,900 to qualifying county-operated hospitals for revised Disproportionate Share Hospital (DSH) payments. No additional monies are appropriated to AHCCCS for this supplemental. AHCCCS will transfer the state match portion of this supplemental item from FY 2006 surpluses in rest of the cost center. This amount consists of:

General Fund	5,337,000
Federal Expenditure Authority	10,825,900

The FY 2006 Supplemental Bill instructs the State Treasurer's Office to withhold an additional \$16,162,900 from Transaction Privilege Tax (TPT) revenues from Maricopa County.

County Contributions

The Health and Welfare BRB, as modified by Laws 2006, Chapter 261, provides \$54,433,300 in county contributions for AHCCCS Acute Care in FY 2007. *Table 5* presents the allocation of county contributions.

Table 5						
County Contributions						
County	FY 2006			FY 2007		
	Acute	DUC	BNCF	Acute	DUC	BNCF
Apache	\$ 268,800	\$ 87,300	\$ 78,900	\$ 268,800	\$ 87,300	\$ 83,400
Cochise	2,214,800	162,700	147,300	2,214,800	162,700	155,700
Coconino	742,900	160,500	145,300	742,900	160,500	153,600
Gila	1,413,200	65,900	59,700	1,413,200	65,900	63,100
Graham	536,200	46,800	42,400	536,200	46,800	44,800
Greenlee	190,700	12,000	10,900	190,700	12,000	11,500
La Paz	212,100	24,900	22,600	212,100	24,900	23,900
Maricopa	31,959,200	0	0	23,756,800	0	0
Mohave	1,237,700	187,400	169,600	1,237,700	187,400	179,200
Navajo	310,800	122,800	111,100	310,800	122,800	117,500
Pima	14,951,800	1,115,900	1,010,100	14,951,800	1,115,900	1,067,700
Pinal	2,715,600	218,300	197,600	2,715,600	218,300	208,900
Santa Cruz	482,800	51,600	46,700	482,800	51,600	49,400
Yavapai	1,427,800	206,200	186,700	1,427,800	206,200	197,300
Yuma	1,325,100	183,900	166,500	1,325,100	183,900	175,900
Subtotal	\$59,989,500	\$2,646,200	\$2,395,400	\$51,787,100	\$2,646,200	\$2,531,900
Acute Care Total	\$62,635,700			\$54,433,300		
Administration Total			\$2,395,400			\$2,531,900
AHCCCS Total	\$65,031,100			\$56,965,200		

Acute Care county contributions have changed as a result of Laws 2005, Chapter 328 and Laws 2006, Chapter 261. These 2 session laws have reduced the Maricopa County FY 2007 Acute Care contribution from FY 2006 by \$(767,000) and \$(7,435,400), respectively. Both of these laws reduce Maricopa County's contribution in exchange for Maricopa County assuming responsibility for probation. *(Please see Maricopa County Acute Care Contribution and Ch. 261 Adult Probation; County Responsibility issues in the Capitation line item narrative for more details.)*

The Budget Neutrality Compliance Fund (BNCF) change reflects a statutorily required increase of county contributions based on inflation and population growth. The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. The BNCF contribution is located in the AHCCCS Administration cost center. *(Please see the Statutory Adjustment issue in the Proposition 204 - DES Eligibility line item narrative in the Administration cost center for more details.)*

Redetermination

The Health and Welfare BRB directs AHCCCS to determine continued eligibility for Acute Care services every 6 months for any adult who is at least 21 years old and who is being redetermined for Temporary Assistance for Needy Families (TANF) cash benefits in the Department of Economic Security.

Inpatient Outlier Methodology

The Health and Welfare BRB directs AHCCCS to evaluate the methodology used for Inpatient Outlier reimbursements. Inpatient outlier payments refer to hospital bills that are significantly higher than the average hospital bill for the same category of procedure. AHCCCS is to report to the JLBC by October 15, 2006, on other methodologies that could be used to calculate outlier payments. This report will also include an evaluation of certain types of medical stays and estimated cost savings of revised methodologies.